



2009

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Nike, Inc.

COUNTRY: India

FACTORY CODE: 0700321245H

MONITOR: International Resources for
Fairer Trade

AUDIT DATE: November 4-5, 2009

PRODUCTS: Leather Shoes

PROCESSES: Upper distribution area,
Production Conveyor, Quality Control,
Packing

NUMBER OF WORKERS: 811



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: Bonus and ex-gratia are paid to all workers, including subcontracted workers. However, records are not maintained in the prescribed format, giving details such as total number of days worked, etc., as specified in the law.

Legal reference: The Payment of Bonus Act 1965.

Plan Of Action: Bonus and ex-gratia detailed in factory's Form C.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP Date: 03/19/2010

Action Taken: Bonus and ex-gratia details included on factory's form C. Nike has verified via a follow-up visit to the factory, that bonus and ex-gratia details are included on the factory's form C. Documents verifying this have been uploaded and sent to FLA for review.

Plan Complete: Yes

Plan Complete Date: 03/19/2010

Wages, Benefits and Overtime Compensation: Timely Payment of Wages

WBOT.4 All wages, including overtime compensation shall be paid within legally defined time limits. When no time limits are defined by law, compensation shall be paid at least once a month. (S)

Noncompliance

Explanation: All the workers, including subcontracted workers, are paid on or before the 10th of the following month instead of the 7th. The date of payment is not mentioned on any of the pay slips issued to workers.

Legal reference: Payment of Wages Act, 1936; time of payment of wages for less than 1000 workers is before the expiry of the 7th day of the following month.

Plan Of Action: To mention date of payment on the pay slip.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP 03/19/2010
Date:

Action Taken: Date of payment is mentioned on the pay slip. Nike has verified factory is including the date of payment on their pay slips; verification documents have been uploaded and sent for review.

Plan Yes
Complete:

Plan Complete 03/19/2010
Date:

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: During September 2009, workers on Conveyor I, II, III and IV worked consecutively for 10 days (September 7-16, 2009), which included a Sunday (September 13, 2009), to complete the production target. They were given a compensatory day off on Thursday (September 17, 2009), but were not paid overtime premium for work on a Sunday.

Legal reference: Rule 23 sub rule 4 of The Minimum Wages Central Rules, 1950; An employee shall be granted for rest day wages calculated at the rate applicable to the next preceding day and in case he works on the rest day and has been given a substituted rest day, he shall be paid wages for the rest day on which he worked, at the overtime rate and wages for the substituted rest day at the rate applicable to the next preceding day.

Plan Of Action: The factory was following the section of the Factories Act that allowed workers to work on Sunday if they received another day of rest. The factory did provide workers with an alternative rest day, but didn't realize they were required to pay workers overtime for work done on a Sunday, September 13, 2009. The factory management is working with [factory name] top management to remit payment to the affected workers; back wages will be paid to workers by the end of October 2010.

Deadline Date: 10/31/2010

Action Taken:

Plan No
Complete:

Plan Complete
Date:

Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: The factory maintains a manual register for attendance, wherein "X" is marked for present and "A" for absent; the times in and out are not mentioned. This record is maintained by the Personnel staff; hence, timekeeping records are not accurate and authentic, and may lead to unverifiable and excessive work hours.

Plan Of Action: Installation of biometric timekeeping system for all employees.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP 03/19/2010

Date:

Action Taken: Installed on and being used for timekeeping for all employees, including subcontracted workers. Verified and photos uploaded.

Plan Yes

Complete:

Plan Complete 03/19/2010

Date:



Wages, Benefits and Overtime Compensation: Payroll Record Maintenance/Worker Acknowledgement

WBOT.20 All compensation records shall be maintained accurately and shall be acknowledged by the worker as accurate. (P)

Noncompliance

Explanation: Pay slips issued to the workers do not mention overtime on them. Overtime is paid separately with no pay slip issued to the worker.

Plan Of Action: To maintain the overtime records through the biometric timekeeping system.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP 03/19/2010
Date:

Action Taken: Actual overtime recorded in prescribed form 4. Verification documents uploaded and sent for review. More details will be verified soon.

Plan Yes
Complete:

Plan Complete 03/19/2010
Date:



Forced Labor: Employment Records

F.9 Employers shall maintain sufficient hiring and employment records to demonstrate and verify compliance with this Code provision. (P)

Noncompliance

Explanation: Workers were not given a copy of the appointment letter; personal document records did have an acknowledged copy of the letter. However, when verified with worker interviews, 90% of workers interviewed confirmed they did not have a personal copy of their appointment letter; the rest of the workers interviewed were not aware of the document.

Plan Of Action: Appointment letter will be issued to all the employees.

Deadline Date: 04/10/2010

Supplier CAP:

Supplier CAP 04/05/2010
Date:

Action Taken: Appointment letter issued. Verified by Nike.

Plan Yes
Complete:

Plan Complete 04/05/2010
Date:

Harassment or Abuse: General Compliance Harassment or Abuse

H&A.1 Employers shall comply with all local laws, regulations and procedures concerning discipline, violence, harassment and abuse. (S)

Noncompliance

Explanation: The factory has a Sexual Harassment Committee with 6 members, 3 members each from management and workers. The representatives from the workers constitute 2 union members and 1 female worker; the Management Representative (Male) heads the committee. However, 100% of the workers interviewed were not aware of the existence of such a committee.

Legal reference : Vishaka Guidelines - The Sexual Harassment of women at work place; Prevention, Prohibition and Redressal, Bill 2006.

Plan Of Action: To organize an induction program for the female employees about the Harassment and Abuse Policy, along with factory policies and procedures.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP 03/19/2010
Date:

Action Taken: Orientation program conducted by [worker name] from Nike on Social Compliances, factory policies and procedures.

Plan Yes
Complete:

Plan Complete 03/19/2010
Date:

Harassment or Abuse: Discipline/Written Disciplinary System

H&A.5 Employers shall maintain a system of written disciplinary rules, procedures and practices. Disciplinary rules, procedures and practices shall be clearly communicated to all workers. (P)

Noncompliance

Explanation: Disciplinary rules, procedures and practices are not documented.

Plan Of Action: Any kind of vital communication between management, the trade union and employees, such as disciplinary rules, procedures, and practices will be issued by written format henceforth.

Deadline Date: 04/15/2010

Supplier CAP:

Supplier CAP 04/10/2010
Date:

Action Taken: [Factory name] HR team started using the written formal on April 16, 2010 for recording disciplinary rules, procedures and practices. Harassment and Abuse Committee meeting conducted; orientation on Harassment and Abuse policy well explained to the employees. Verified by [employee name] from Nike through a review of Harassment and Abuse Committee meeting notes and the orientation program for employees' records.

Plan Yes
Complete:

Plan Complete 04/11/2010
Date:

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: The factory does not have a secure communication channel to enable factory workers to report to the company about noncompliance with workplace standards.

Plan Of Action: In order to maintain an effective and secure communication channel, a grievance box will be placed at earmarked areas so that factory workers can report any noncompliance to the company. The location of the grievance boxes will be communicated to employees through a display board near the Union Office and the Time Office.

Deadline Date: 04/10/2010

Action Taken: Grievance boxes are made available in washrooms of both genders and the Time Office, so that workers may report any issues without fear of revealing their identity. Previously, grievances boxes were available, but not in these locations. The new location of these boxes was communicated to employees through a display board near the Union Office in the Time Office. Grievances are collected by the HR team and discussed with management. Verified by [employee name] from Nike. Photo uploaded and sent to FLA for review.

Plan Complete: Yes

Plan Complete Date: 04/15/2010

Date:

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: The factory has 811 workers and does not have a Welfare Officer or a Doctor. Also, there is no provision for an ambulance room in the factory.

Legal reference: As per Section 49 and 1A of the Factories Act 1948; factory should have a welfare officer, doctor and Ambulance room where more than 500 workers are employed.

Plan Of Action: To appoint a Welfare Officer and to renovate the ambulance room with required standards.

Deadline Date: 03/31/2010

Supplier CAP:

Supplier CAP Date: 03/31/2010

Action Taken: Welfare Officer appointed on March 19, 2010. Ambulance room was under construction and the renovation was completed April 20, 2010.

Plan Complete: Yes

Plan Complete Date: 04/20/2010

Health and Safety: Permits and Certificates

H&S.8 The employer shall at all times be in possession of all legally required and valid permits and certificates related to health and safety issues, such as those related to the purchase and storage of chemicals, fire safety inspections, inspection of machinery, and (chemical) waste disposal. (P)

Noncompliance

Explanation: The factory has recently constructed a Reverse Osmosis (RO) unit. There is no approval from the Chief Inspector of Factories, nor does it reflect in the approved factory plans.

Legal reference : Rule 3, Sub-rule 5 (a) of Tamil Nadu Factories Rules, 1950

Plan Of Action: The factory will have the RO unit incorporated into drawings and will apply for approval from the Chief Inspector of Factories by April 10, 2010.

Deadline Date: 04/10/2010

Supplier CAP:

**Supplier CAP
Date:** 08/06/2010

Action Taken: The drawing work including the RO plant is in progress; factory is applying for inspection on August 6, 2010.

September 24, 2010: Factory plan which includes the Reverse Osmosis unit has been sent to the Chief Inspector of Office for approval; they are waiting for the approval.

Plan Complete: No

**Plan Complete
Date:**

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: Hazardous substances/chemicals are labeled in English and not in Tamil, the language understood by the majority of workers.

Plan Of Action: Material Safety Data Sheet (MSDS) training will be conducted by experts from the chemical suppliers to the employees who are handling chemicals.

Deadline Date: 05/15/2010

Supplier CAP:

Supplier CAP 05/10/2010
Date:

Action Taken: Arranged MSDS training with the help of chemical expert [chemical expert name]. All chemical containers are labeled in the regional language (Tamil). Employees have been advised to request label changes, and then to either change the chemicals or get the assistance of their concerned production line in-charge and supervisors. Verified by [employee name] from Nike.

Plan Yes
Complete:

Plan Complete 05/10/2010
Date:

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: MSDS is in English and not Tamil, the local language known by most workers.

Plan Of Action: MSDS prepared in regional language.

Deadline Date: 04/25/2010

Supplier CAP:

Supplier CAP 04/20/2010
Date:

Action Taken: MSDS sheets are made available in chemical godown, chemical distribution area and in chemical usage area. Verified by [employee name] from Nike.

Plan Yes
Complete:

Plan Complete 04/20/2010
Date:

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation: Factory does not have an ambulance room or a Qualified Medical Practitioner.

Legal Reference : Rule 64 of Tamil Nadu Factories Rules, 1950.

Plan Of Action: To renovate the ambulance room with required standards.

Deadline Date: 03/31/2010

Supplier CAP:

Supplier CAP 03/31/2010
Date:

Action Taken: Ambulance room under renovation and completed on April 20, 2010; Welfare Officer appointed on March 19, 2010.

Plan Yes
Complete:

Plan Complete 04/20/2010
Date:

Hours of Work: Rest Day

HOW.2 Workers shall be entitled to at least one day off in every seven-day period. If workers must work on a rest day, an alternative day off must be provided within that same seven-day period or immediately following the seven-day period. (P)

Noncompliance

Explanation: During September 2009, workers on Conveyor I, II, III and IV worked consecutively for 10 days (from September 7-16, 2009), which includes a Sunday (September 13, 2009), to complete the production target. They were given a compensatory day off on Thursday (September 17, 2009), but were not paid the overtime premium for work on a Sunday.

Legal reference: Rule 23 sub rule 4 of The Minimum Wages Central Rules, 1950; An employee shall be granted for rest day wages calculated at the rate applicable to the next preceding day and in case he works on the rest day and has been given a substituted rest day, he shall be paid wages for the rest day on which he worked, at the overtime rate and wages for the substituted rest day at the rate applicable to the next preceding day.

Plan Of Action: The factory was following the section of the Factories Act that allowed workers to work on Sunday if they received another day of rest. The factory did provide the workers with an alternative rest day, but didn't realize they were required to pay workers overtime for Sunday work; September 13, 2010 counted as overtime given it was a Sunday. The factory management is working with [factory name] top management to remit payment to those affected workers.

Deadline Date: 10/31/2010

Action Taken:

Plan No
Complete:

Plan Complete
Date:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: The factory maintains the manual register of attendance, wherein "X" is marked for present and "A" for Absent; with time in and time out not mentioned. The record is maintained by the Personnel staff. As factory does not maintain an authentic and accurate timekeeping system, the roll may include excessive working hours.

Plan Of Action: Installation of biometric timekeeping system for all employees.

Deadline Date: 03/19/2010

Supplier CAP:

Supplier CAP 03/19/2010
Date:

Action Taken: Installed on and being used for timekeeping for all employees, including subcontracted workers. Verified and photos uploaded.

Plan Yes
Complete:

Plan Complete 03/19/2010
Date:
